

COVID-19-Related Loan Assistance for Agricultural Enterprises

April 23, 2020

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) created the Small Business Administration's (SBA's) [Paycheck Protection Program](#) (PPP) and [Emergency Economic Injury Disaster Loan](#) (EIDL) grants to provide short-term, economic relief to certain small businesses and nonprofits. For more information on SBA-related emergency relief provisions, see CRS Report R46284, *COVID-19 Stimulus Assistance to Small Businesses: Issues and Policy Options*, by Robert Jay Dilger, Bruce R. Lindsay, and Sean Lowry.

Important note: On April 16, 2020, the SBA reported that it had exhausted all funding provided by the CARES Act for the PPP and Emergency EIDL grant programs and was no longer accepting new applications for these programs. Congress is currently negotiating another round of PPP and Emergency EIDL funding. The Senate-passed Paycheck Protection Program and Health Care Enhancement Act (H.R. 266) would include additional funding for both programs and a provision (Division A. Sec. 101) that would permit agricultural enterprises as defined by Section 18(b) of the Small Business Act (15 U.S.C. §647(b)) with not more than 500 employees to receive emergency EIDL grants and EIDL loans.

This Insight will be updated to reflect any legislative changes affecting these programs.

PPP Loan Terms and Eligibility

PPP loans feature a two-year term at 1% interest, the waiver of the SBA's up-front loan guarantee and annual servicing fees, relaxed underwriting requirements, deferred payments for six months (interest does accrue), and loan forgiveness of up to 100% of the loan's principal amount under specified conditions related to the borrower's retention of employees and wages and the use of the funds for specified purposes, such as payroll and employee benefits.

PPP loans can be used for payroll costs; costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; payments of interest on any mortgage obligation (excluding any prepayment of or payment of principal on a mortgage obligation); rent (including rent under a lease agreement); utilities; interest on any other debt obligations that were incurred before February 15, 2020; and refinancing an SBA EIDL loan made between January 31, 2020, and April 3, 2020.

Congressional Research Service

<https://crsreports.congress.gov>

IN11357

Agricultural enterprises, defined in Section 18(b) of the Small Business Act as “small business concerns engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural-related industries” may apply for a PPP loan if the applicant meets the PPP’s eligibility requirements:

- any SBA [7\(a\) loan guarantee program](#) eligible small business;
- any business, 501(c)(3) nonprofit organization, 501(c)(19) veteran’s organization, or tribal business not currently eligible that has not more than 500 employees; or, if applicable,
- the SBA’s size standard in number of employees for the industry in which they operate.

[Sole proprietors, independent contractors, and eligible self-employed](#) individuals are also eligible to receive a covered loan.

As of April 16, 2020, the SBA [reports](#) that 46,334 PPP loans, totaling \$4.37 billion (1.28% of the total amount approved), went to agricultural, forestry, fishing, and hunting businesses.

EIDL Loan Terms and Eligibility and Emergency EIDL Grants

[EIDL loans](#) related to economic damages caused by the COVID-19 pandemic feature a term of up to 30 years with 3.75% interest for small businesses and 2.75% interest for private nonprofit organizations. The loans may be used for fixed debts (rent, etc.), payroll, accounts payable, and some bills that could have been paid had the disaster (in this case, the COVID-19 pandemic) not occurred.

The CARES Act authorizes the SBA to provide EIDL to borrowers adversely affected by the COVID-19 pandemic an advance payment of up to \$10,000. The advance payment, referred to as an emergency EIDL grant in the CARES Act, does not have to be repaid, even if the applicant is subsequently denied an EIDL. Due to high demand, the SBA limited EIDL advance payments to \$1,000 per employee, capped at \$10,000.

Small businesses, most private nonprofit organizations, small agricultural cooperatives, small aquaculture businesses, and nurseries deriving less than 50% of their annual receipts from the production of nursery or other agricultural products are EIDL eligible. The CARES Act temporarily expands, through December 31, 2020, EIDL eligibility to include startups, cooperatives, and eligible ESOPs (employee stock ownership plans) with fewer than 500 employees, sole proprietors, and independent contractors.

Historically, agricultural enterprises, other than small agricultural cooperatives, small aquaculture enterprises, and eligible small nurseries, have not been eligible for EIDL assistance because language was added to Section 18 of the Small Business Act prohibiting the SBA from duplicating “the work or activity of any other department or agency of the Federal Government,” to exclude agricultural enterprises. At one time, the Small Business Act specifically mentioned the Farmers Home Administration as a source of program duplication, but that reference has been removed. Section 18 also specifies that if “loan applications are being refused or loans denied by such other department or agency responsible for such work or activities ... then, for purposes of this section, no duplication shall be deemed to have occurred.”

As mentioned, the Senate-passed Paycheck Protection Program and Health Care Enhancement Act would permit agricultural enterprises with not more than 500 employees to receive Emergency EIDL grants and EIDL loans.

Author Information

Robert Jay Dilger
Senior Specialist in American National Government

Sean Lowry
Analyst in Public Finance

Bruce R. Lindsay
Analyst in American National Government

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.